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PIERCE TELEPHONE COMPANY, INCORPORATED

Financial Statements and Schedule

Years Ended December 31, 2012 and 2011

(With Independent Accountant's Review Report Thereon)

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PIERCE TELEPHONE COMPANY, INCORPORATED

Index to Financial Statements and Schedule

Years Ended December 31, 2012 and 2011

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

The Board of Directors
Pierce Telephone Company, Incorporated:

We have reviewed the accompanying balance sheet of Pierce Telephone Company, Incorporated as of December 31, 2012, and the related statements of operations and comprehensive income or loss, stockholder's equity, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2012 financial statements in order for them to be in conformity with the accounting principles generally accepted in the United States of America.

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information included in the Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we did not become aware of any material modifications that should be made to such information.

The financial statements for the year ended December 31, 2011 were audited by us and we expressed an unqualified opinion on them in our reported dated March 20, 2012, but we have not performed any auditing procedures since that date.

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Balance Sheets

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December 31, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents, including construction funds of [REDACTED] in 2012 and [REDACTED] in 2011	\$ [REDACTED]	[REDACTED]
Available-for-sale securities, at fair value	[REDACTED]	[REDACTED]
Due from subscribers and agents	[REDACTED]	[REDACTED]
Inventory, at cost	[REDACTED]	[REDACTED]
Prepaid expenses	[REDACTED]	[REDACTED]
Total current assets	[REDACTED]	[REDACTED]
Other assets:		
Due from affiliated companies, net	[REDACTED]	[REDACTED]
Other investment	[REDACTED]	[REDACTED]
Miscellaneous physical property	[REDACTED]	[REDACTED]
Less accumulated depreciation	[REDACTED]	[REDACTED]
Net miscellaneous physical property	[REDACTED]	[REDACTED]
Total other assets	[REDACTED]	[REDACTED]
Property and equipment, at cost	[REDACTED]	[REDACTED]
Less accumulated depreciation	[REDACTED]	[REDACTED]
Net property and equipment	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]

See accompanying notes to financial statements.

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<u>Liabilities and Stockholder's Equity</u>	<u>2012</u>	<u>2011</u>
Current liabilities:		
Current installments of long-term debt	\$ [REDACTED]	[REDACTED]
Accounts payable	[REDACTED]	[REDACTED]
Due to affiliated companies	[REDACTED]	[REDACTED]
Accrued expenses	[REDACTED]	[REDACTED]
Customer deposits	[REDACTED]	[REDACTED]
Advance billings and payments	[REDACTED]	[REDACTED]
Total current liabilities	[REDACTED]	[REDACTED]
Long-term debt, excluding current installments	[REDACTED]	[REDACTED]
Total liabilities	[REDACTED]	[REDACTED]
Stockholder's equity:		
Common stock of \$ [REDACTED] par value		
per share, authorized [REDACTED] shares;		
issued and outstanding [REDACTED] shares	[REDACTED]	[REDACTED]
Accumulated other comprehensive income	[REDACTED]	[REDACTED]
Retained earnings	[REDACTED]	[REDACTED]
Total stockholder's equity	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]

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Statements of Operations and Comprehensive Income or Loss

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Local service	\$ [REDACTED]	[REDACTED]
Toll service and access charges	[REDACTED]	[REDACTED]
Billing and collection revenue	[REDACTED]	[REDACTED]
Directory advertising and other revenue	[REDACTED]	[REDACTED]
Total operating revenues	[REDACTED]	[REDACTED]
Operating expenses:		
Plant specific operations	[REDACTED]	[REDACTED]
Plant nonspecific operations	[REDACTED]	[REDACTED]
Depreciation	[REDACTED]	[REDACTED]
Customer operations	[REDACTED]	[REDACTED]
Corporate operations	[REDACTED]	[REDACTED]
Total operating expenses	[REDACTED]	[REDACTED]
Operating income	[REDACTED]	[REDACTED]
Operating taxes, other	[REDACTED]	[REDACTED]
Net operating income	[REDACTED]	[REDACTED]
Non-operating income (deductions):		
Investment income	[REDACTED]	[REDACTED]
Gain (loss) on sale of available-for-sale securities	[REDACTED]	[REDACTED]
Net deregulated income, including depreciation expense of [REDACTED] in 2012 and [REDACTED] in 2011	[REDACTED]	[REDACTED]
Special charges, contributions	[REDACTED]	[REDACTED]
Valuation allowance recovery (expense)	[REDACTED]	[REDACTED]
Total non-operating income (deductions), net	[REDACTED]	[REDACTED]
Income (loss) prior to fixed charges	[REDACTED]	[REDACTED]
Fixed charges:		
Interest on long-term debt	[REDACTED]	[REDACTED]
Other interest	[REDACTED]	[REDACTED]
Total fixed charges	[REDACTED]	[REDACTED]
Net earnings (losses)	[REDACTED]	[REDACTED]
Other comprehensive income (loss):		
Losses (gains) recognized and included in net earnings	[REDACTED]	[REDACTED]
Net increase (decrease) in unrealized gains on securities	[REDACTED]	[REDACTED]
Comprehensive income (loss)	\$ [REDACTED]	[REDACTED]

See accompanying notes to financial statements.

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Statements of Stockholder's Equity

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Years Ended December 31, 2012 and 2011

	Common <u>Stock</u>	Accumulated Other Comprehensive <u>Income</u>	Retained <u>Earnings</u>	Total Stockholder's <u>Equity</u>
Balances at December 31, 2010	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net loss			[REDACTED]	[REDACTED]
Losses on sale of securities included in net earnings		[REDACTED]		[REDACTED]
Net decrease in unrealized gains on securities		[REDACTED]		[REDACTED]
Dividends, \$ [REDACTED] per share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Balances at December 31, 2011	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net earnings			[REDACTED]	[REDACTED]
Gains on sale of securities included in net earnings		[REDACTED]		[REDACTED]
Net increase in unrealized gains on securities		[REDACTED]		[REDACTED]
Dividends, \$ [REDACTED] per share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Balances at December 31, 2012	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

See accompanying notes to financial statements.

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Statements of Cash Flows

Years Ended December 31, 2012 and 2011

<u>Increase or Decrease in Cash and Cash Equivalents</u>	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from subscribers and agents	\$ [REDACTED]	[REDACTED]
Cash paid to suppliers and employees	[REDACTED]	[REDACTED]
Investment income received	[REDACTED]	[REDACTED]
Interest paid	[REDACTED]	[REDACTED]
Net cash provided by operating activities	[REDACTED]	[REDACTED]
Cash flows from investing activities:		
Proceeds from disposition of property and equipment	[REDACTED]	[REDACTED]
Expenditures for miscellaneous physical property	[REDACTED]	[REDACTED]
Proceeds from sale of available-for-sale securities	[REDACTED]	[REDACTED]
Expenditures for property and equipment	[REDACTED]	[REDACTED]
Net receipts from affiliated companies	[REDACTED]	[REDACTED]
Net cash provided (used) by investing activities	[REDACTED]	[REDACTED]
Cash flows from financing activities:		
Dividends paid	[REDACTED]	[REDACTED]
Principal payments on long-term debt	[REDACTED]	[REDACTED]
Net cash used by financing activities	[REDACTED]	[REDACTED]
Net increase (decrease) in cash and cash equivalents	[REDACTED]	[REDACTED]
Cash and cash equivalents at beginning of year	[REDACTED]	[REDACTED]
Cash and cash equivalents at end of year	\$ [REDACTED]	[REDACTED]

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Statements of Cash Flows
(Continued)
Years Ended December 31, 2012 and 2011

<u>Reconciliation of Net Earnings or Losses to Net Cash Provided by Operating Activities</u>		<u>2012</u>	<u>2011</u>
Net earnings (losses)		\$ [REDACTED]	[REDACTED]
Adjustments to reconcile net earnings (losses) to net cash provided by operating activities:			
Depreciation of property and equipment		[REDACTED]	[REDACTED]
Depreciation of miscellaneous physical property		[REDACTED]	[REDACTED]
Valuation expense (recovery)		[REDACTED]	[REDACTED]
Non-cash patronage dividends		[REDACTED]	[REDACTED]
Gain (loss) on sale of available-for-sale securities		[REDACTED]	[REDACTED]
Decrease (increase) in:			
Due from subscribers and agents		[REDACTED]	[REDACTED]
Inventory		[REDACTED]	[REDACTED]
Prepaid expenses		[REDACTED]	[REDACTED]
Increase (decrease) in:			
Accounts payable		[REDACTED]	[REDACTED]
Accrued expenses		[REDACTED]	[REDACTED]
Customer deposits		[REDACTED]	[REDACTED]
Advance billings and payments		[REDACTED]	[REDACTED]
Total adjustments		[REDACTED]	[REDACTED]
Net cash provided by operating activities		\$ [REDACTED]	[REDACTED]

Supplemental Disclosures of Cash Flows Information

Included in accounts payable was \$ [REDACTED] and \$ [REDACTED] for the purchase of property and equipment as of December 31, 2012 and 2011, respectively.

Non-cash dividends paid to Pierce totaled \$ [REDACTED] and \$ [REDACTED] during 2012 and 2011, respectively.

See accompanying notes to financial statements.

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Notes to Financial Statements

December 31, 2012 and 2011

(1) Summary of Significant Accounting Policies

General

Pierce Telephone Company, Incorporated (the Company) is a wholly-owned subsidiary of Pierce Telecommunications, Inc. (Pierce), a holding company headquartered in Pierce, Nebraska. The Company is also affiliated with Pierce's wholly-owned subsidiary, Sapius, Inc. (SAP), which is an investment holding company. Additionally, the Company is affiliated with Fogle Enterprises, LLC (Fogle), Nebraska Long Distance, LLC (NLD), and PBN, LLC (PBN) through common ownership by Pierce. Fogle maintained an investment in a wireless phone system venture and currently has no operations while NLD is an operating company which provides long distance telephone and communication services. PBN will provide ETS Ethernet transport and internet services beginning in 2013. The Company provides telephone services to two exchanges in northeastern Nebraska and maintains its accounting records in accordance with the rules and regulations of the Nebraska Public Service Commission and utilizes the Uniform System of Accounts prescribed by the Federal Communications Commission. The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents and statements of cash flows

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Additionally, advances to affiliated companies are presented on the net cash flow basis.

Investment securities

Investment securities that are held for short-term resale are classified as trading securities and carried at fair value. Debt securities that management has the ability and intent to hold to maturity are classified as held-to-maturity and carried at cost, adjusted for amortization of premium and accretion of discounts using methods approximating the interest method. Other marketable securities are classified as available-for-sale and are carried at fair value. Realized and unrealized gains and losses on trading securities are included in net income. Unrealized gains and losses on securities available-for-sale are recognized as direct increases or decreases in stockholder's equity. Cost of securities sold is recognized using the specific identification method.

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Notes to Financial Statements

Due from subscribers and agents and allowance for doubtful receivables

Expenses include a provision for doubtful accounts to allow for estimated uncollectible accounts. This provision is based on past experience and on analysis of current accounts receivable collectibility. Accounts are considered delinquent based on passage of a specified period of time and consideration of payment history. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. No allowances were deemed necessary for 2012 or 2011.

Inventory valuation

Inventories of material and supplies are valued at the lower of cost or market. Cost is generally determined using the first-in, first-out method.

Miscellaneous physical property

Depreciation of miscellaneous physical property is computed using the straight-line method over the estimated useful life of the related asset.

Property and equipment

Maintenance and repairs of property and replacement of items determined to be less than units of property are charged to expense. Replacement and renewal of items considered to be units of property are charged to the property and equipment accounts. Most property and equipment retired or otherwise disposed of in the ordinary course of business, together with the cost of removal less salvage, is charged to accumulated depreciation. At the time of retirement or disposition of specifically identifiable units of equipment, accounts are relieved of cost and accumulated depreciation and gains or losses on the transactions are taken into income. Depreciation of property and equipment is determined using the straight-line method based on the estimated service lives. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset and long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. No asset impairments were recognized during the years ended December 31, 2012 and 2011.

Advertising and promotion costs

Advertising and promotion costs are expensed as incurred.

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Notes to Financial Statements

Revenues

Telecommunication service revenues are recognized when related services are provided.

Income taxes

Effective January 1, 2000, the Company elected to be taxed under the Subchapter S provisions of the Internal Revenue Code. Under these provisions, the Company is a Qualified Subchapter "S" subsidiary and its parent will recognize the Company's otherwise taxable income and will then "pass through" this income to its stockholders who are ultimately responsible for any income tax liabilities that may exist. Neither the Company nor its parent incurs income tax expense on such income; however, it can be subject to an excess net passive income tax and certain recapture taxes if certain requirements are met.

The Company has adopted Financial Accounting Standards Board (FASB) guidance related to accounting for any uncertainties in income taxes and required disclosures thereon. This guidance prescribes a minimum threshold a tax position is required to meet before being recognized on the financial statements. There were no unrecognized tax benefits or accruals for uncertain tax positions as of December 31, 2012 and 2011. The Company has not recognized any interest or penalties in relation to income tax filings as of or for the years ended December 31, 2012 or 2011. Additionally, the Company's status of being a Qualified Subchapter "S" subsidiary entity has been maintained and remains the tax position of the Company. Finally, tax years ended December 31, 2009 through 2012 all remain open (via the parent company) and are subject to potential examination by taxing jurisdictions.

Subsequent events

The Company has evaluated subsequent events through March 28, 2013, the date on which the financial statements were available to be issued.

(2) Cash and Cash Equivalents

A summary of cash and cash equivalents as of December 31, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Operating cash	\$ [REDACTED]	[REDACTED]
Petty cash	[REDACTED]	[REDACTED]
Outstanding checks and other in-transit items	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]

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Notes to Financial Statements

The Company's cash and cash equivalents at December 31, 2012 consisted of checking and money market accounts. All income associated with cash and cash equivalents is reported as non-operating income in the statements of operations and comprehensive income or loss.

The Company maintains cash deposits with major banks which from time to time may exceed federally insured limits. The Company periodically assesses the financial condition of the institutions and believes the risk of any loss is minimal.

(3) Available-for-sale Securities

The following is a schedule of unrealized holding gains and losses for available-for-sale equity mutual fund securities as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Available-for-sale securities		
classified as current assets at fair value	\$	
Financial statement cost basis		
of available-for-sale securities	— —	
Net unrealized holding gains	\$	

Accumulated other comprehensive income is comprised solely of cumulative net unrealized holding gains.

All mutual funds were sold during 2012 with a of \$ being recognized in 2012.

During 2011, the Company paid a dividend in the amount of (cost basis) to Pierce in the form of available-for-sale securities and cash maintained in a money market mutual fund previously held by the Company.

(4) Affiliated Companies and Related Party Transactions

Pierce provides employee services to the Company at scheduled rates per hour. Related cost of these services totaled \$ and \$ in 2012 and 2011, respectively, including amounts capitalized in property and equipment of \$ and \$, respectively.

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Notes to Financial Statements

Cumulative balances due to the Company at December 31, 2012 and 2011 from Pierce are as follows:

	<u>2012</u>	<u>2011</u>
Due from parent company, net	\$ [REDACTED]	[REDACTED]
Valuation allowance	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]

A valuation allowance of \$ [REDACTED] was established as of December 31, 2011 as resources available to Pierce were not adequate to repay the Company in full for all outstanding advances due. No valuation allowance was determined necessary as of December 31, 2012. Included in the total above is \$ [REDACTED] due from and [REDACTED] due to Pierce.

Additionally, the Company had a miscellaneous receivable of \$ [REDACTED] and \$ [REDACTED] due from NLD as of December 31, 2012 and 2011, respectively. Balances due to SAP and NLD as of December 31, 2012 and 2011 totaled \$ [REDACTED] and \$ [REDACTED], respectively.

(5) Property and Equipment

A summary of property and equipment at December 31, 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>
Intangibles	\$ [REDACTED]	[REDACTED]
Land	[REDACTED]	[REDACTED]
Motor vehicles	[REDACTED]	[REDACTED]
Other work equipment	[REDACTED]	[REDACTED]
Buildings	[REDACTED]	[REDACTED]
Furniture	[REDACTED]	[REDACTED]
Office support equipment	[REDACTED]	[REDACTED]
Company communications equipment	[REDACTED]	[REDACTED]
Computer software	[REDACTED]	[REDACTED]
General purpose computers	[REDACTED]	[REDACTED]
Digital switching	[REDACTED]	[REDACTED]
Circuit equipment	[REDACTED]	[REDACTED]
Customer premises wiring	[REDACTED]	[REDACTED]
Pole lines	[REDACTED]	[REDACTED]
Buried cable	[REDACTED]	[REDACTED]
Conduit system	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]

The composite depreciation rate was [REDACTED] in 2012 and [REDACTED] in 2011.

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Notes to Financial Statements

Depreciation expense (including non-regulated depreciation) during 2012 and 2011 totaled \$ [REDACTED] and \$ [REDACTED], respectively.

(6) Long-term Debt

Long-term debt at December 31, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
[REDACTED] mortgage note payable to the United States of America in equal monthly payments of \$ [REDACTED], including interest, paid off in 2012	\$ [REDACTED]	[REDACTED]
[REDACTED] mortgage note payable to the United States of America in equal monthly payments of [REDACTED], including interest, paid off in 2012	[REDACTED]	[REDACTED]
Total long-term debt	[REDACTED]	[REDACTED]
Less current installments of long-term debt	[REDACTED]	[REDACTED]
Long-term debt, excluding current installments	\$ [REDACTED]	[REDACTED]

All assets of the Company were pledged as security for the mortgage notes payable during 2011.

(7) Operating Leases

The Company leases a copy machine and postage machine under various terms requiring future payments. Rental expense under the terms of these lease agreements were \$ [REDACTED] and \$ [REDACTED] in 2012 and 2011, respectively.

Future minimum rental payments required under the leases are as follows:

Year Ending December 31,	
2013	\$ [REDACTED]
2014	[REDACTED]
2015	[REDACTED]
2016	[REDACTED]

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Notes to Financial Statements

(8) Income Taxes

Total tax expense in 2012 and 2011 was different from the expense computed by applying the statutory U.S. federal income tax rate of [REDACTED] to earnings before income tax. The reasons for the difference are shown in the following schedule:

	<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>% of Pretax Income</u>	<u>Amount</u>	<u>% of Pretax Income</u>
Computed "expected" tax expense (benefit)	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Income (loss) not taxed to Company due to Subchapter "S" election	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

(9) Retained Earnings

A summary of retained earnings at December 31, 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>
Corporate earnings prior to Subchapter S elections	\$ [REDACTED]	[REDACTED]
Undistributed Subchapter S earnings reflected in income tax returns filed or to be filed for periods ended December 31, 2012 or prior	[REDACTED]	[REDACTED]
Undistributed Subchapter S earnings (losses) not yet taxed due to timing differences in reporting certain transactions for financial accounting and income tax purposes	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]

(10) Fair Value for Financial Instruments

Effective January 1, 2008, the Company adopted provisions issued by the FASB on fair value measurements for financial assets and financial liabilities. These provisions define fair value, establish a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expand disclosures about fair value measurements.

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Notes to Financial Statements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. This price measurement assumes the transaction occurs in the principal market for the asset or liability, or in the most advantageous market for the asset or liability in absence of a principal market. Additionally, fair value measurements are not adjusted for transaction costs. A fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value was also established. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). The three levels of inputs are as follows:

- Level 1 - Valuation is based on quoted prices for identical instruments traded in active markets. An active market is one in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Valuation is based on significant other observable inputs other than Level 1 inputs. This includes quoted active market prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data.
- Level 3 - Valuation is based on significant unobservable inputs that represent the Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability. These include assets and liabilities whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, including assets and liabilities for which determination of fair value requires significant management judgment or estimates.

Available-for-sale investment securities present during 2011 were the only assets or liabilities that are measured at fair value on a recurring basis. The Company's investments during 2011 were valued using the Level 1 valuation method.

The Company estimates that the fair value of any other financial instruments do not differ materially from their carrying values as displayed in the accompanying balance sheet.

(11) Reclassification

The Company's 2011 financial statements have been reclassified to conform with 2012 presentation.

PIERCE TELEPHONE COMPANY, INCORPORATED

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Statistical Information

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Years Ended December 31, 2012 and 2011

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	<u>2012</u>		<u>2011</u>	
	Total	Amount Per Station	Total	Amount Per Station - "Unaudited"
Number of stations at end of year		<u> </u>		<u> </u>
Operating revenues:				
Local service	\$ <u> </u>	<u> </u>	<u> </u>	<u> </u>
Toll service and access charges	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Billing and collection	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Directory advertising and other	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total operating revenues	\$ <u> </u>	<u> </u>	<u> </u>	<u> </u>
Property and equipment	\$ <u> </u>	<u> </u>	<u> </u>	<u> </u>
Less accumulated depreciation	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net property and equipment	\$ <u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	\$ <u> </u>	<u> </u>	<u> </u>	<u> </u>
Total stockholder's equity	\$ <u> </u>	<u> </u>	<u> </u>	<u> </u>
Total operating expenses (excluding taxes)	\$ <u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating taxes (excluding income taxes)	\$ <u> </u>	<u> </u>	<u> </u>	<u> </u>
Net operating income	\$ <u> </u>	<u> </u>	<u> </u>	<u> </u>
Fixed charges	\$ <u> </u>	<u> </u>	<u> </u>	<u> </u>
Return on rate base	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Percentage of net earnings (losses) to year-end stockholder's equity	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Ratio of long-term debt to net property and equipment	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Ratio of liabilities to stockholder's equity	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Ratio of net operating income to fixed charges	<u> </u>	<u> </u>	<u> </u>	<u> </u>

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0066/OMB Control No. 3060-0813
July 2013

<010> Study Area Code 371581

<015> Study Area Name PIERCE TEL CO

<020> Program Year 2014

<030> Contact Name: Person USAC should contact with questions about this data Judy Christiansen

<035> Contact Telephone Number: 402-398-0062
Number of the person identified in data line <030>

<039> Contact Email Address: jchristiansen@consortiaconsulting.com
Email of the person identified in data line <030>

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ANNUAL REPORTING FOR ALL CARRIERS
54.313
Completion
Required54.422
Completion
Required

(check box when complete)

<100> Service Quality Improvement Reporting (complete attached worksheet)

<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
-------------------------------------	-------------------------------------

<200> Outage Reporting (voice) (complete attached worksheet)

<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
-------------------------------------	-------------------------------------

<210> ☐ <-- check box if no outages to report

<300> Unfulfilled Service Requests (voice) (attach descriptive document)

<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
-------------------------------------	-------------------------------------

<310> Detail on Attempts (voice) (attach descriptive document)

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

<320> Unfulfilled Service Requests (broadband) (attach descriptive document)

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

<330> Detail on Attempts (broadband) (attach descriptive document)

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

<400> Number of Complaints per 1,000 customers (voice)

<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
-------------------------------------	-------------------------------------

<410> Fixed

<420> Mobile

<430> Number of Complaints per 1,000 customers (broadband)

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

<440> Fixed

<450> Mobile

<500> Service Quality Standards & Consumer Protection Rules Compliance (check to indicate certification)

<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
-------------------------------------	-------------------------------------

<510> 371581ne510 (attached descriptive document)

<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
-------------------------------------	-------------------------------------

<600> Functionality in Emergency Situations (check to indicate certification)

<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
-------------------------------------	-------------------------------------

<610> 371581ne610 (attached descriptive document)

<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
-------------------------------------	-------------------------------------

<700> Company Price Offerings (voice) (complete attached worksheet)

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

<710> Company Price Offerings (broadband) (complete attached worksheet)

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

<800> Operating Companies and Affiliates (complete attached worksheet)

<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
-------------------------------------	-------------------------------------

<900> Tribal Land Offerings (Y/N)? ☐ ☒ (if yes, complete attached worksheet)

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

<1000> Voice Services Rate Comparability (check to indicate certification)

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

<1010> (attach descriptive document)

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

<1100> Terrestrial Backhaul (Y/N)? ☒ ☐ (if not, check to indicate certification)

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

<1110> (complete attached worksheet)

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

<1200> Terms and Condition for Lifeline Customers (complete attached worksheet)

<input type="checkbox"/>	<input checked="" type="checkbox"/>
--------------------------	-------------------------------------

Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<2000> (check to indicate certification)

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

<2005> (complete attached worksheet)

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet

<3000> (check to indicate certification)

<input checked="" type="checkbox"/>	<input type="checkbox"/>
-------------------------------------	--------------------------

<3005> (complete attached worksheet)

<input checked="" type="checkbox"/>	<input type="checkbox"/>
-------------------------------------	--------------------------

**(100) Service Quality Improvement Reporting
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

371581

PIERCE TEL CO

2014

Judy Christiansen

402-398-0062

jchristiansen@consortiaconsulting.com

(yes / no) ☒ ☐(yes / no) ☐ ☐

<110> Has your company received its ETC certification from the FCC?

If your answer to Line <110> is yes, do you have an existing §54.202(a) "5 year plan" filed with the FCC?

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

Name of Attached Document (.pdf)

Please check these boxes below to confirm that the attached PDF, on line 112, contains a progress report on its five-year service quality improvement plan pursuant to § 54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<113> Maps detailing progress towards meeting plan targets

<114> Report how much universal service (USF) support was received

<115> How (USF) was used to improve service quality

<116> How (USF) was used to improve service coverage

<117> How (USF) was used to improve service capacity

<118> Provide an explanation of network improvement targets not met in the prior calendar year.

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**(200) Service Outage Reporting (Voice)
Data Collection Form**

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	371581
<015>	Study Area Name	PIERCE TEL CO
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Judy Christiansen
<035>	Contact Telephone Number - Number of person identified in data line <030>	402-398-0062
<039>	Contact Email Address - Email Address of person identified in data line <030>	jchristiansen@consortiaconsulting.com

[illegible]

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(700) Price Offerings including Voice Rate Data
Data Collection Form

<010>	Study Area Code	371581
<015>	Study Area Name	PIERCE TEL CO
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Judy Christiansen
<035>	Contact Telephone Number - Number of person identified in data line <030>	402-398-0062
<039>	Contact Email Address - Email Address of person identified in data line <030>	jchristiansen@consortiaconsulting.com

1/1/2013	
----------	--

	Residential Local Service Charge Effective Date
<701>	1/1/2013
<702>	

[illegible]

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OCT 24 2013

10/10/2013

(710) Broadband Price Offerings
Data Collection Form

FCC Form 481
OMB Control No. 3068-0085/OMB Control No. 3060-0839
July 2013

<010> Study Area Code 371581

<015> Study Area Name PIERCE TEL CO

<020> Program Year 2014

<030> Contact Name - Person USAC should contact regarding this data Judy Christiansen

<035> Contact Telephone Number - Number of person identified in data line <030> 402-398-0062

<039> Contact Email Address - Email Address of person identified in data line <030> jchristiansen@consortiaconsulting.com

<711>		<a1>	<a2>	<b1>	<b2>	<c>	<d1>	<d2>	<d3>	<d4>
State	Exchange (ILEC)	Residential Rate	State Regulated Fees	Total Rate and Fees	Broadband Service - Download Speed (Mbps)	Broadband Service - Upload Speed (Mbps)	Usage Allowance (GB)	Usage Allowance Action Taken When Limit Reached (select)	FCC Mail Room	
			-- See attached worksheet --							

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10/10/2013

(800) Operating Companies
Data Collection Form

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

371581

<010> Study Area Code

<015> Study Area Name

PIERCE TEL CO

<020> Program Year

2014

<030> Contact Name - Person USAC should contact regarding this data

Judy Christiansen

<035> Contact Telephone Number - Number of person identified in data line <030>

402-398-0062

<039> Contact Email Address - Email Address of person identified in data line <030>

jchristiansen@consortiaconsulting.com

<810> Reporting Carrier

Pierce Telephone Company, Inc.

<811> Holding Company

Pierce Telecommunications, Inc.

<812> Operating Company

<813>

<81>

Affiliates

<83>

Doing Business As Company or Brand Designation

-- See attached worksheet --

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(900) Tribal Lands Reporting
Data Collection Form

FCC Form 481

DMB Control No. 3060-0986/CMB Control No. 3060-0819

July 2013

371581

PIERCE FENNER SMITH

2014

Judy Christiansen

030> 402-398-0062

030> jchristiansen@consortiaconsulting.com

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document (.pdf)

For each of the following, if your company serves Tribal lands, please select (Yes/No, NA) for each of these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

<921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions;

<922> Feasibility and sustainability planning;

Marketing services in a culturally sensitive manner;

<924> Compliance with Rights of way processes

<925> Compliance with Land Use permitting requirements

<926> Compliance with Facilities Siting rules

<927> Compliance with Environmental Review processes

<928> Compliance with Cultural Preservation review processes

<929> Compliance with Tribal Business and Licensing requirements.

[illegible]